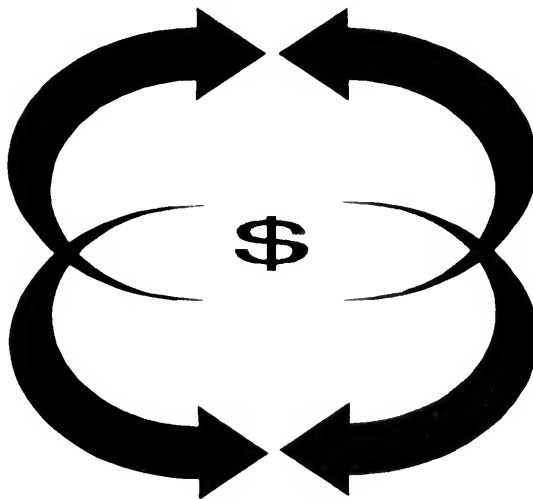


CDBG PROGRAM INCOME AND REVOLVING LOAN FUND MANUAL



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TO: Chief Elected Officials and Grant Managers of Open CDBG Projects Awarded
from 1989 to 1995

FROM: Gus Byrom, CDBG Program Manager
Terry Dimock, Business Development Officer

DATE: March 1, 1996

RE: Community Development Block Grant (CDBG) Program Income

NEW PROGRAM INCOME REGULATIONS

Under Section 804 of the federal Housing and Community Development Act of 1992, Section 104(j) was amended regarding program income generated as a result of local CDBG project activities. Program income is any income earned by a grantee from CDBG-supported activities such as repayments of principal and interest to a local revolving loan program for economic development projects or housing rehabilitation.

In response to these new HUD program income regulations and to assist local governments in managing the receipt, expenditure and tracking of program income, DOC had the enclosed program income handbook developed by a financial consultant.

For CDBG projects funded from federal fiscal year 1993 funds and subsequent fiscal years, program income generated at the local level will always be subject to applicable CDBG program requirements (Title 1 of the Community Development Act), whether the project is open or closed out. Furthermore, program income from these projects (fiscal year 1993 and later) must be tracked and reported to the Montana Department of Commerce (DOC) as long as program income is generated.

Each local government must report the total program income fund's activity for the fiscal year July 1 to June 30. The first report will be due August 15, 1996, and August 15 of any year thereafter. Local governments that have economic development projects must file the Loan Portfolio Data sheet twice a year, as of June 30 and December 31.

Additionally, in new regulations, HUD excludes from the definition of program income amounts of \$25,000 or less per year received by a grantee. For these amounts, local governments would not have to comply with Title 1 requirements. Title 1 requirements include various federal regulations such as Davis-Bacon wage rates, civil rights, environmental review, etc. This means that the aggregate amount received by a grantee in a twelve-month period must be \$25,000 or less to be excluded. If a grantee receives \$26,000 in a twelve month period, then the full \$26,000 must be reported as program income, not just the \$1,000 balance beyond the \$25,000. All CDBG program requirements will apply to the entire \$26,000. The twelve-month period shall coincide with the state fiscal year, beginning July 1 and ending June 30.

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PROGRAM INCOME MANUAL FOR REVOLVING LOAN FUNDS

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PROGRAM INCOME MANUAL

FOR REVOLVING LOAN FUNDS

I N T R O D U C T I O N

This manual has been prepared to assist local governments who manage Community Development Block Grant (CDBG) Revolving Loan Funds (RLF's) in maximizing the long-term benefits of their CDBG/RLF funds. The manual is intended to serve each local government grantee as an instructional guide and provide the Department of Commerce with a means for tracking program income activities operated out of independent local revolving loan funds.

The U.S. Department of Housing and Urban Development (HUD) requires the Montana Department of Commerce (DOC) to ensure that CDBG program income is used to meet a national CDBG objective of benefitting low and moderate income persons and, where applicable, comply with the requirements of Title 1 of the Community Development Act of 1974. In turn, the DOC requires that grantees permitted to retain program income meet these same requirements.

The every-day use of this manual will help a grantee meet these federal and State requirements and ensure that administration of the funds will not be called into question.

Unfortunately, there is little authoritative literature on how to administer a revolving loan program within a revolving loan fund. While the manual does help fill this vacuum, there will, undoubtedly, be issues raised for which there may be no ready answers.

We believe that the manual will be a useful introduction to this relatively new field of Local Revolving Loan Fund Administration.

PROGRAM INCOME

DEFINITION OF PROGRAM INCOME

"Program Income" is any income earned by a grantee from CDBG-supported activities such as repayments of principal and interest to a local revolving loan program for housing rehabilitation. These funds are often received after a project has been completed and closed out and may be retained at the local level, if authorized by the Department of Commerce, to be used for community development activities eligible under the CDBG program. When program income is generated by an activity that is only partially assisted with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used.

Program income includes, but is not limited to, the following:

1. Proceeds from the disposition of sale or long term lease of real property purchased or improved with CDBG funds;
2. Proceeds from the disposition of equipment purchased with CDBG funds;
3. Gross income from the use or rental of real or personal property acquired by a grantee with CDBG funds, less the costs incidental to the generation of the income;
4. Gross income from the use or rental of real property owned by a grantee that was constructed or improved with CDBG funds, less the costs incidental to the generation of the income;
5. Payments of principal and interest on loans made using CDBG funds (the primary source of program income);
6. Proceeds from the sale of loans made with CDBG funds;
7. Proceeds from the sale of obligations secured by loans made with CDBG funds;

8. Interest earned on funds held in a revolving loan account;
9. Interest earned on program income pending disposition of the income;
10. Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where they are used to recover all or part of the CDBG portion of the public improvements; and
11. Gross income paid to a grantee from the ownership interest in a for-profit entity acquired in return for CDBG assistance.

RETAINING PROGRAM INCOME

Under the federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except when the local government uses the program income to continue the activity from which such income was derived. The Department's decision to permit the retention of program income by a local government will be based upon the DOC determination of the adequacy of the proposed plan to expend program income in a administrative manner which coincides with HUD and CDBG requirements, while meeting the community needs of the local government.

It is pertinent that the local government demonstrate that it has, or can quickly develop, the capacity to set up and manage a revolving loan fund for economic development or housing purposes or a program income plan for other eligible community development activities with the approval of the Department.

PROGRAM INCOME PLAN

An applicant requesting to retain program income must submit a plan for the ongoing use and financial administration of any program income, which is submitted at the time of project closeout for housing projects. For economic development projects, the Program Income Plan (P.I.P), must be submitted before loan repayments are made. The DOC's decision to permit a grantee to retain such program income will be based on the adequacy of the proposed program income plan submitted.

The proposed program income plan must provide a description of the following information:

1. Describe how the proposed use of program income will serve to address identified community development needs in a timely manner.
2. Describe how program income-generated activities will be conducted in accordance with this plan, how they will assist low and moderate income (LMI)

persons, and be in compliance with requirements of Title I and other Federal and State regulations, when applicable.

3. Describe the primary elements that will make-up the revolving loan program, including:
 - a. goals and objectives
 - b. eligibility requirements
 - c. the loan review, selection and approval process
 - d. how the loans will be secured and serviced
4. Explain how revolving loan fund(s) will be utilized.
5. Describe the related accounting and reporting procedures which will be used when reporting on program income and revolving loan activity.

The grantee must demonstrate that it has the ability to efficiently establish and manage a revolving loan fund. The grantee must also demonstrate its willingness to commit the necessary resources for management of program income received from CDBG financed loans and other CDBG program income.

If DOC determines that the proposed program income plan has an inadequate level of support and time frame commitment, the DOC will recover the program income and commit it to other CDBG eligible activities.

PROGRAM INCOME CONTRACTUAL REQUIREMENTS

When DOC determines that program income is to be retained by a grantee, the grantee should specify in their agreement with DOC that all activities undertaken with such income will follow the provisions of the written agreement.

Specific requirements are:

1. Include a statement that the financial accounting system will comply with federal and/or State guidelines.
2. Provide assurance that all unexpended funds and collectible accounts will be returned to the DOC in the event they find evidence of fraud, waste, mismanagement, and/or substantial non-compliance with the program income plan.
3. Include evidence that the governing body has approved the program income plan in a manner that will legally bind the community to follow its guidelines.

4. Specific requirements may be inserted that relate to the project based on the application, other open or closed CDBG projects, current DOC policy, and the purpose of the revolving loan funds.

DISTRIBUTION OF PROGRAM INCOME BEFORE PROJECT CLOSEOUT

All program income received prior to a CDBG project closeout must be returned to the corresponding open project fund as additional funding, and used for the same activities, before a grantee can request an additional drawdown of funds from the project account. The program income will be accounted for and reported on as an integral part of the financial transactions of the CDBG project.

DISTRIBUTION OF PROGRAM INCOME AFTER PROJECT CLOSEOUT

If there are no other open CDBG projects, all program income received after closeout of a project must be distributed to an appropriate revolving loan fund or program income account, subject to approval of a grantee's program income plan, and used to support CDBG eligible activities. It may also be used for related revolving loan fund administrative costs, but may not exceed 18% of the total program income received during any fiscal year. The program income activity will be accounted for and reported on as a part of the financial transactions of the respective revolving loan fund.

DOC has developed a new policy for expenditure of program income after closeout which will meet the federal national objective of benefitting low and moderate income persons (LMI) and allow local governments some flexibility with their program income. This is described in more detail under "Eligible Uses of Program Income."

ELIGIBLE USES OF PROGRAM INCOME

Before Project Closeout -- For CDBG Projects Funded in (FFY) 1992 and prior:

Program income received by a grantee before closeout must be used in accordance with the provisions of Title I. As such, all the regulations and requirements that applied during the term of the project will apply to the program income received before closeout. This means that program income must be used for eligible CDBG activities, and that a minimum of 51% of the funds must be used for activities that are clearly designated to meet identified needs of persons of low and moderate income.

After Project Closeout -- For CDBG Projects Funded in (FFY) 1992 and prior:

Program income received by a grantee after closeout is subject to the provisions of Title I, until all CDBG grants received by the grantee are closed-out by the DOC.

If a grantee does not have an ongoing grant that was received directly from DOC at the time of closeout, most Title I provisions will not apply to the program income. However, the program income must still be used for CDBG eligible activities. Additionally, a minimum of 51% of the funds must be used for activities that are clearly designated to meet the identified needs of persons of low and moderate income. Program income from all applicable sources must still be expended on CDBG eligible activities, as specified in the program income plan and/or closeout agreement.

Local government grantees have the option of either adhering to their program income plans already in place, or adhering to the new 70%/30% policy, as explained below in #2.

Before Project Closeout -- For CDBG Projects Funded in (FFY) 1993 and later:

Program income received by a grantee before closeout must be used in accordance with the provisions of Title I. As such, all the regulations and requirements that applied during the term of the project will apply to the program income received before closeout. This means that program income must be used for eligible CDBG activities, and that a minimum of 51% of the funds must be used for activities that are clearly designated to meet identified needs of persons of low and moderate income.

After Project Closeout -- For CDBG Projects Funded in (FFY) 1993 and later:

DOC has developed the following proposed policy for expenditure of program income after close-out which will meet the federal national objective of benefitting low and moderate income persons (LMI) and allow local governments some flexibility with their program income:

1. As program income is received, a maximum 18% would be allocated to an administration fund and a minimum 82% allocated to an activity fund for each state fiscal year.
2. Under the activity fund, 70% of the expenditure of that fund in any year would have to principally benefit LMI (51%), be a CDBG eligible activity, and meet federal Title I regulations. The "70%" derives from the federal statutory requirement for meeting benefit to LMI.
3. The remaining 30% of the activity fund could be used for any CDBG eligible activity as long as it meets Title I requirements. Grant recipients would still need to submit a program income report for any program income generated. This strategy assures that program income is being spent on CDBG eligible activities which principally benefit 51% low and

moderate income persons, the original intent of the program, but allow some flexibility for those communities that are not 51% LMI community-wide.

Program income received by a grantee after closeout must continue to be used in accordance with the Provisions of Title I. As such, all regulations and requirements that applied during the term of the project will apply to the program income received after closeout.

However, federal Title I requirements do not apply to funds which are less than \$25,000 received and retained in a single year by a grantee. A grantee may use this amount for any eligible CDBG activity that benefits at least 51% low and moderate income persons. The first annual period for which it may be applied begins with fiscal year 1994, beginning July 1, 1993.

REFER TO CHART ON FOLLOWING PAGE FOR A DIAGRAM THAT WILL HELP TO REFLECT NEW PROGRAM INCOME GUIDELINES

PROGRAM INCOME GUIDELINES

PROJECTS FUNDED FY 92 AND PRIOR		PROJECTS FUNDED IN FY 93 & LATER YEARS	
BEFORE CLOSEOUT	AFTER CLOSEOUT	BEFORE CLOSEOUT	AFTER CLOSEOUT
Title I Program Income must be used for CDBG eligible activities & benefits 51% LMI	Use Program Income Plan in place before Closeout ← (Using these specs)	82% Activity 18% Admin. Limit Program Income	82 % Activity 18% Admin. Limit Program Income
	OR		
	Use New Policy (For FY 93 & > Projects)		
	82% Activity ⇕ This adjusts accordingly if Admin. is less than 18% ⇕ Program Income ⇕ 70% 30% ⇕ 51% LMI Benefit; CDBG Eligible Title I ⇕ CDBG Eligible Title I	18% Admin. Limit ⇕ * DOC recommends as each income payment is received, no more than 18% be transferred to Admin Fund, & the difference be transferred to Activity Fund. ⇕ 51% LMI Benefit; CDBG Eligible Title I ⇕ CDBG Eligible Title I	⇕ 70% 30% ⇕ 51% LMI Benefit; CDBG Eligible Title I ⇕ CDBG Eligible Title I
NOTE: Under new HUD regulations, Grantees who receive an aggregate amount of less than \$25,000 within a year do not have to comply with Title I requirements. However, this income must still meet 51% LMI Benefits & be CDBG eligible. This regulation may be applied beginning July 1, 1993 (FY 94).			

~REVOLVING LOAN PROGRAM~

LOAN PROGRAM PLAN REQUIRED

The making of real property and business loans by a grantee parallels in importance the function of a financial institution, such as a bank or savings and loan association. Consequently, the DOC will require a grantee who operates a revolving loan program to develop a written plan for the administration of its program. This plan will become an integral part of the overall program income plan, referred to on Page 32, PROGRAM INCOME PLAN.

LOAN PROGRAM PLAN GUIDELINES

To assist a grantee in this undertaking, the DOC has developed a general set of guides that address the primary elements which generally make up a revolving loan program plan. These guides, set out below, are not intended to be a revolving loan program plan as such, but general guidelines to help a grantee accomplish this.

1. Goals and Objectives:

Develop a clear set of goals and objectives which articulate in quantifiable terms the purpose of and reason for the revolving loan program. The purpose of the RLF would reflect the economic conditions and opportunities in the community that the RLF is expected to address. The goals and objectives established should serve as a basis for an organizational strategy and operating plan for the reuse of program income.

2. Eligible Applicants:

Establish criteria for identifying eligible applicants for the revolving loan program. Limited revolving loan resources may necessitate targeting of loans. Targeting of loans is a process that identifies areas of need. Needs might include targeting a specific geographic area of discrimination in lending; targeting existing businesses versus start-up businesses; addressing specific industries affected by lending patterns; addressing discrimination against women and minorities in lending.

3. Eligible and Ineligible Activities:

Develop standards for funding eligible activities, and show how they relate to the community's problems or needs and to the goals and objectives of the revolving loan program. Eligible activities must meet all tests for CDBG eligibility and a national CDBG objective.

4. Eligible Type of Loans:

Determine which type of loans are to be funded, e.g., amortized loans, deferred loans, 100% financing versus public or private partnerships, permanent versus construction loans, direct

versus guaranteed, etc., and whether they will be made for the fixed asset family and/or for working capital. (Refer to Appendix D)

5. **Financing Policies:**

Establish the minimum and maximum dollar amount of loans; include their terms and rates of interest for repayment. Include policies for restructuring loans or modifying terms, along with any other financing policies required. Quantify acceptable levels of risk. Matching sources and uses of funds is key to the ability to "revolve" funds.

6. **Loan Review Committee:**

Establish a loan review committee whose purpose is to make recommendations to the governing body. (Ideally, its membership would also include private sector finance professionals.) The committee's membership, role and responsibilities should be specified.

7. **Loan Review, Selection and Approval:**

Create a process for advertising the revolving loan program. Establish criteria and procedures for review and approval of loan applications. This should include the following:

- a. provide justification of applicant's need
- b. define beneficiaries
- c. describe what will be used for necessary or appropriate documentation (certifications, etc.)
- d. describe the type of credit and financial analyses that will be performed on loan requests
- e. describe the manner and time frame for disbursement of loan proceeds
- f. indicate which loan review and/or approval functions will be delegated to staff and/or the Loan Review Committee; describe which functions will be retained by the governing body

8. **Loan Security:**

Secure each amortized real property loan by trust indenture, and secure each deferred real property loan, that provides a contingency for repayment, by lien.

Collateralize, to the extent practical, each business loan. The amount and quality of the collateral should be a matter of policy. The collateral pledged should be confirmed and documented as to type, quality, location, ownership and existing encumbrances.

Require each borrower, where appropriate, to protect the grantee against insurable risks. A copy of each policy underwritten should be filed with the grantee.

9. **Loan Servicing:**

Establish policies and procedures for loan repayments, loan delinquencies, loan defaults and loan monitoring, and designate who will be responsible for carrying out each of these vital functions.

10. **Recapitalization Strategy:**

Develop a recapitalization strategy and identify which other financial resources are intended to be used.

11. **Title I Compliance Certifications:**

Describe the process that will be used to assure that all loan recipients will comply with the appropriate Title I Compliance requirements.

—**REVOLVING LOAN FUNDS**—

USE OF REQUIRED

The (DOC) will require a grantee to establish the appropriate revolving loan funds, subject to approval of the grantee's Program Income Plan, to continue eligible CDBG activities that are funded with program income of closed-out projects.

A revolving loan fund may not be funded or capitalized with grant funds. However, it may be recapitalized, at the discretion of the governing body, with borrowings from commercial financial institutions or others.

PURPOSE

A revolving loan fund (RLF) is a separate fund, with a set of accounts independent of other CDBG project accounts, established to carry out eligible housing and/or economic development activities which, in turn, generate program income to the fund. Theoretically, it is a fund from which moneys are continuously expended, replenished and again expended.

A RLF is the administrative umbrella for the reuse of program income in the making of low interest community loans.

GENERAL ACCOUNTING REQUIREMENTS

ACCOUNTING STANDARDS

A Grantee must demonstrate that the program income received is used solely for authorized purposes, a requirement that is best met through fund accounting. The required accounting system is the Montana BARS System for Counties, Cities and Towns. BARS is a fund accounting system that meets all fund accounting requirements, including generally accepted accounting principles.

Fund accounting is a control device that segregates resources and ensures that the segregated resources are used only for their intended purposes.

FUND TYPE TO BE UTILIZED

There are a number of funds and account groups that are required to be utilized in a fund accounting system, each depending on the financial situation. However, a CDBG grantee retaining program income need only be concerned with revolving loan funds, a subcategory of special revenue funds.

A grantee is authorized to maintain a separate RLF for housing activities and a separate RLF for economic development activities. Or, a grantee may opt to utilize a single RLF for all such activities.

However, it is recommended that a grantee maintain separate RLF's for eligible CDBG activities covered under 1992 and prior contracts, and separate RLF's for eligible CDBG activities covered under 1993 and future contracts.

BASIS OF ACCOUNTING

The basis of accounting is a term used to refer to when revenues and expenditures, and related assets and liabilities, are recognized in the accounts and reported in the financial statements.

There are three fundamental accounting bases used to account for transactions; the cash basis, the accrual basis and the modified accrual basis. The basis for revolving loan funds is the modified accrual basis.

Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, which is when they become both measurable and available to finance expenditures of the current period. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred.

FUND AND ACCOUNT STRUCTURE

The chart of accounts is the framework around which the accounting system is built. A chart of accounts is merely a numerical coding system that permits identification of individual accounts. It also simplifies the referencing of entries on documents and records and helps reflect account relationships.

The coding system that follows is consistent with RLF needs and is made up of fund identifiers and balance sheet, revenue and expenditure accounts.

1. Fund Code Identifiers

Fund code identifiers are the numerical indicators assigned to identify independent fiscal and accounting entities with self balancing sets of accounts, consisting of assets, liabilities and fund equities.

Applicable fund Code Identifiers:**Fund No.**

- For the years of 1992 and prior:

Combined RLF	2392
Housing RLF	2394
Economic Development RLF	2395

- For the years of 1993 and future:

Combined RLF	2396
Housing RLF	2397
Economic Development RLF	2398

2. Balance Sheet Accounts

Balance sheet accounts are those accounts that remain open after the books have been closed at year-end, the balances of which are carried forward into the succeeding year. When properly classified, these accounts form the basis for the balance sheet. Simply, the balance sheet purports to exhibit what a funds owns in the form of assets and what a fund owes in the form of liabilities. The net result of assets minus liabilities is equity.

Applicable general ledger balance sheet accounts:

Account Number	Account Name
101000	Cash
125000	Loans Receivable
172000	Revenue Control
201100	Warrants Payable
202100	Accounts Payable
204000	Contracts/Loans Pay. (short term)
235100	Contracts/Loans Pay. (long term)
223800	Deferred Revenue
242000	Expenditure Control
271000	Fund Balance

3. Revenue Accounts

Revenue accounts should be classified by source. The primary function of revenue accounts is to provide a means for verifying the receipt of revenues and to furnish information for preparing financial reports. Revenue accounts are closed out at year-end.

Applicable revenue accounts:

Account Number	Account Name
362000	Miscellaneous
371XXX	Investment Earnings
373010	Interest on Loans
373020	Principal on Loans
381XXX	Other Financing Sources

4. Expenditure Accounts

Expenditures should be classified by function, activity and object. The function classification provides information on the overall purposes or objectives of expenditures. The activity classification provides information according to the specific types of work performed by the organizational unit. The object of expenditure relates to the article purchased or service obtained. The primary functions of expenditure accounts are to provide proper control and furnish information for preparing financial reports. Expenditure accounts are closed out at year-end.

- Applicable Housing expenditure accounts:

470200	Housing Rehabilitation
470210	Administration
	100 Personal Services
	200 Supplies
	320 Printing/Duplicating
	330 Advertising/Publications
	800 Other
470220-86X	Acquisition of Property
470240-86X	Rehabilitation Loans
470260-86X	Planning and Management
470270-86X	Clearing and Demolition
470280-86X	Code Enforcement

- Applicable Economic Development expenditure accounts:

470300	Economic Development
470310	Administration
	100 Personal Services
	200 Supplies
	320 Printing/Duplicating
	330 Advertising/Publications
	800 Other
470320-86X	Economic Development Loans
470330-86X	Other

BASIC ACCOUNTING RECORDS

The books of account maintained are assumed to be on the double entry system. A double entry system is defined as a system which requires for every entry made to the debit side of an account(s), an entry for a corresponding amount(s) be made to the credit side of another account(s).

The records required to account for program income funds are of two types; the books of original entry and the books of final entry. The books of original entry are those records in which transactions are recorded for the first time, e.g., the Cash Receipts Journal, the Cash Disbursement Journal and the General Journal Voucher. The books of final entry are the summary records in which accounting information is accumulated for financial reporting, e.g., the General Ledger. In an automated environment, however, a single transaction may be recorded simultaneously in the books of original entry and the books of final entry.

The books of original and final entry are described below:

- **Cash Receipts Journal**

All cash received is recorded in this book of original entry.
- **Cash Disbursement Journal**

All cash disbursed is recorded in this book of original entry.
- **General Journal Voucher (GJV)**

All transactions in place of, or supplemental to, the regular journals are recorded in this book of original entry. The voucher is a substitute for maintaining a formal general journal.
- **General Ledger**

The general ledger is the book of final entry, where all summarized journal transactions are posted. It contains the accounts necessary to present after closing, the financial representations of the organizational unit.

It is virtually impossible to discuss the books of original entry without discussing their relationship to source documents. Specifically, source documents are documents upon which evidence of an accounting transaction are initially recorded. They may be internally or externally created and are used as the source entry and support to the various books of original entry. Examples of source documents are general receipts, purchase orders, invoices, claims, payroll time records, contracts, etc.

SPECIAL ACCOUNTING PROVISIONS

Treatment of Revolving Loans

Authoritative literature on accounting for revolving loans is skimpy at best. The December, 1989 GAAFR Review, the last known up-date on the subject, published by the Government Finance Officers Association, discusses the pros and cons of several possible treatments.

One common approach to accounting for such revolving loans is to report revenues and expenditures in a special revenue fund. The repayments of loan principal are reported as revenue. Similarly, the disbursement of loan proceeds is reported as an expenditure. This approach produces a continuing cycle of revenue and expenditure as the loan "revolves." For financial purposes, receivables are reported on the balance sheet with a corresponding amount of deferred revenue. Governments often favor this approach because it allows them to report cash flows related to loans in the operating statement of the same fund. Unfortunately, it is questionable whether it is appropriate to report a loan as an expenditure and the repayment of principal as revenue.

An alternative approach would be to report the disbursement of loan proceeds and the repayments of loan principal as balance sheet transactions i.e., the exchange of one type of asset (cash) for another (receivables). Accordingly, a grantee may wish to use an enterprise fund to account for revolving loans. Because they are balance sheet transactions, the disbursement of loan proceeds and the collection of principal repayments would not be reflected in the operations of an enterprise fund. Unlike a special revenue fund, an enterprise fund is required to present a statement of cash flows.

Until authoritative literature on accounting for revolving loans is more definitive, the use of a special revenue fund, because of its simplicity, is favored over the use of an enterprise fund.

Loan Subsidiary Records

In most cases, provided they are kept up-dated, each loan amortization schedule will serve, and may be used, as the individual loan receivable record. When an amortization schedule is not generated, then an individual subsidiary account must be maintained for each loan.

Uncollectible Loans

1. Real Property Loans:

Given that all real property loans will be secured by trust indentures, it would seem unnecessary to make any allowance for doubtful loans. However, any such decision will need to be based on current loan-loss experience and/or existing market conditions.

2. Business Loans:

Some business loans, on the other hand, will invariably become uncollectible, whether collateralized or uncollateralized. If it is probable that a loan has been impaired, then the estimated loss should be expensed as a bad debt.

If a loan was collateralized and some recovery made, then this recovered amount should be netted against the loan loss.

There are two methods in use for dealing with losses from uncollectible loans receivable. The direct write-off method and the allowance method. Either method is acceptable, but the allowance method is the preferred method. (For a complete discussion, including illustrative accounting entries, please refer to Pages D-11 and D-12 of the (LGS) Accounting Policies.)

FINANCIAL REPORTING REQUIREMENTS

The annual financial statements prepared by a grantee must present fairly its financial position and results of operations in accordance with generally accepted accounting principles, and they must include all revolving loan funds in the following type of statements:

- The Combined and Combining Balance Sheets - All Fund Types;
- The Combined Statements of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types;
- The Combined and Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - All Governmental Fund Types.

~INTERNAL CONTROL~

Internal control is recognized as fundamental and indispensable to all types of organizations. It can be defined in terms of two elements, administrative controls and accounting controls. Administrative controls are designed to encourage adherence to prescribed policies and accounting controls which deal with safeguarding assets.

Both administrative and accounting controls are implemented primarily through -

- Developing specific written procedures that specify how activities and functions will be conducted;
- Segregating key control duties and responsibilities among different employees; and
- Monitoring these procedures, duties and responsibilities to ensure conformance over time.

A grantee is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by a grantee are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of internal control are to provide a grantee with reasonable, but not absolute, assurance that assets are safeguarded against loss and that transactions are executed in accordance with a grantee's authorization.

In the financial operation of revolving loan funds, it is presumed that, as a minimum, a grantee will see that the work is properly segregated so that no one person is allowed to perform a complete

cycle of operations. Where segregation of duties is not always possible because of staffing limitations, management should function in an oversight capacity. In such an event, the oversight provided should be as compensating as circumstances permit.

Internal control may not eliminate the probability that errors or irregularities will occur. However, the probability of their occurrence can be reduced if a grantee implements the proper administrative and accounting control policies and procedures.

~ ILLUSTRATIVE ACCOUNTING ENTRIES ~

The following illustrative account entries represent those most commonly associated with revolving loan funds on a recurring basis. These illustrations are not intended to be all inclusive, but they are intended to exhibit a cross-section of pertinent entries - without undue repetition. (Note: "Sub" is the abbreviation for subsidiary. It is the account detail which supports the general ledger control account).

HOUSING RLF

1. A grantee agreed to loan Mr. & Mrs. Smith \$99,000 to refurbish a multiple housing unit and expended, on behalf of the Smith's, \$99,000 on the unit.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2394-242000	Expend. Control	\$99,000		
2394-470240-86X	Rehab. Loans		\$99,000	
2394-101000	Cash			\$99,000

(To record payment for the multiple housing unit. Ordinarily, this entry would be recorded as a part of the cash disbursement process - most likely through a claims fund.)

		<u>Debit</u>	<u>Credit</u>
2394-125000	Loans Receivable	\$99,000	
2394-223800	Deferred Revenue		\$99,000

(To record the loan receivable. This entry requires the preparation of a GJV.) Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to the General Ledger.

A general journal voucher (GJV) would be used to book the loan receivable and later the information would be posted to accounts in the General Ledger.

2. Mr. & Mrs. Smith made the first payment of principal and interest on their housing loan. The amortized loan is for 20 years at the interest rate of 5 percent per annum. The amount due,

according to the amortization schedule, is \$395 for principal and \$475 for interest, a total of \$870.

Related Accounting entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2394-101000	Cash	\$870		
2394-172000	Revenue Control		\$870	
2394-373010	Interest			\$475
2394-373020	Principal			395

(To record receipt of housing loan payment. Ordinarily, this entry would be recorded as part of the cash receipt process.)

		<u>Debit</u>	<u>Credit</u>
2394-223800	Deferred Revenue	\$395	
2394-125000	Loans Receivable		\$395

(To record the amount of principal paid by the Smith's on their housing loan. This entry requires the preparation of a GJV.)

Related Accounting Procedures:

A receipt document would be issued for the principal and interest proceeds and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to record the principal paid by the Smiths on their housing loan and later the information would be posted to accounts in the General Ledger.

The loan amortization schedule would serve as the subsidiary loan receivable record.

3. The housing RLF generated and received \$1,000 in interest earnings.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2394-101100	Cash	\$1,000		
2394-172000	Revenue Control		\$1,000	
2394-371XXX	Interest			\$1,000

(To record interest earnings. Ordinarily, this entry would be recorded as part of the cash receipt process.)

Related Accounting Procedures:

A receipt document would be issued for the interest earnings and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

4. The grantee expended \$800 for personal services, \$100 for supplies, \$50 for printing and \$50 for advertising, all chargeable to the administration activity.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2394-242000	Expend. Control	\$1,000		
2394-470210-100	Pers Services		\$800	
2394-470210-200	Supplies		100	
2394-470210-320	Printing		50	
2394-470210-330	Advertising		50	
2394-101000	Cash			\$1,000

(To record payment of administration expenses. Ordinarily, this entry would be recorded as part of the cash disbursement process - most likely through a claims fund.)

Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to accounts in the General Ledger.

5. At year-end, all revenue and expenditure accounts are closed-out to fund balance. Assuming that the preceding housing transactions represent the entire year's business, the following would be the closing entries.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>
2394-172000	Revenue Control	\$ 1,870	
2394-271000	Fund Balance	98,130	
2394-242000	Expend. Control		\$100,000

(To record year-end closing.)

Related Accounting Procedures:

A general journal Voucher (GJV) would be used for the closing entries and later the information would be posted to accounts in the General Ledger.

ECONOMIC DEVELOPMENT RLF

1. A grantee loaned the XYZ company \$25,000 on a six month, uncollateralized, 6 percent note.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2398-242000	Expend. Control	\$25,000		
2398-470320-86X	Ec. Del. Loan		\$25,000	
2398-101100	Cash			\$25,000

(To record loan made. Ordinarily, this entry would be recorded as a part of the cash disbursement process - most likely through a claims fund.)

		<u>Debit</u>	<u>Credit</u>
2398-125000	Loan Receivable	\$25,000	
2398-223800	Deferred Revenue		\$25,000

(To record loan receivable. This entry requires the preparation of a general journal voucher.)

Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to book the loan receivable and later the information posted to accounts in the General Ledger.

- The XYZ Company repaid the 6 percent business loan in full, six months after it was made. The repayment totaled \$25,750 ($\$25,000 \times .06 / 2 = \$750 + \$25,000$.)

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2398-101100	Cash	\$25,750		
2398-172000	Revenue Control		\$25,750	
2398-37301	Interest			\$750
2398-373020	Principal			\$25,000

(To record receipt of business loan payment in full. Ordinarily, this entry would be recorded as part of the cash receipt process.)

		<u>Debit</u>	<u>Credit</u>
2398-223800	Deferred Revenue	\$25,000	
2398-125000	Loans Receivable		\$25,000

(To record the amount of principal paid on the XYZ Company's business loan. This entry requires the preparation of a general journal voucher.)

Related Accounting Procedures:

A receipt document would be issued for the principal and interest proceeds and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to record the principal paid by the XYZ Company on their business loan and later the information would be posted to accounts in the General Ledger.

3. At year-end, all revenue and expenditure accounts are closed-out to fund balance. Assuming that the preceding economic development transactions represent the entire year's business, the following would be the closing entries.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>
2398-172000	Revenue Control	\$25,750	
2398-242000	Expend. Control		\$25,000
2398-271000	Fund Balance		\$750
(To record year-end closing.)			

Related Accounting Procedures:

A general journal voucher (GJV) would be used for the closing entries and later the information would be posted to accounts in the General Ledger.

~RECORDS RETENTION~

The type of documents, records and reports that follow must be retained for three years. However, in the event of litigation, claims, audit or other action, such documents, records and reports must be retained until completion of the action or regular time period, whichever is later.

1. Documents

- a. Receipts
- b. Purchase Orders
- c. Invoices/Statements
- d. Claims
- e. Checks
- f. Warrants
- g. Budgets
- h. Contracts/Agreements

2. Records

- a. Accounting
- b. Budgetary
- c. Payroll
- d. Time Sheets
- e. Bank Statements
- f. Minutes, Loan Review Committee

3. Reports

- a. Financial Statements - Monthly and Annual
- b. Budgetary - Monthly and Annual
- c. Payroll
- d. Annual Program Income Activity Reports
- e. Annual Statistical Loan Reports
- f. Semi-Annual Loan Portfolio Data Reports (economic dev. activity only)

4. Other

- a. Loan Applications
- b. Loan Review and Selection Documentation
- c. Title I Compliance Certifications

These documents, records and reports are subject to all applicable laws and requirements relating to public access, privacy and confidentiality.

~PROGRAM INCOME TRACKING~

Because the DOC has ultimate responsibility for the program income retained and used at the local level, it is required to ensure that such program income is used in a manner consistent with CDBG requirements. The DOC will institute a grantee reporting process. This will require that each local government report the total program income fund's activity for the fiscal year July 1 to June 30. The first report will be due August 15, 1996, and August 15 of any year thereafter. This applies to projects funded with 1989 and later CDBG program funds that have been closed out and/or are receiving loan repayments on a project that is not open. HUD requires that states continue to report local government's program income balance after a project has been closed out. For local government grantees that have economic development CDBG projects, an additional report, the Loan Portfolio Data sheet, must be filed twice a year as of June 30 and December 31 with the Economic Development Division. This applies to any project, whenever it may have been funded, that continues to make loan repayments to the local government over the term of the loan.

SPECIAL RLF FINANCIAL REPORT

The Loan Portfolio Data Report will show the source and application of all program income retained and used by a grantee. For the reporting convenience of a grantee, the DOC has enclosed a sample Loan Portfolio Data Sheet and included another type of reporting form, the Annual Program Income Activity Report, as an option. The DOC has designed two versions of the report, Version A and Version B.

Version A (See Appendix A-1)

A grantee should utilize Version A when it opts to combine the reporting of housing program income and economic development program income activity. But, such program income activity must be reported separately for the contract years of 1992 and prior and for the contract years of 1993 and later.

The compliance certification on this report must be signed by the appropriate local official. In so doing, the grantee certifies that program income was expended for eligible CDBG activities and/or the requirements of Title I.

Under Version B, a grantee has three reporting options available. A grantee may utilize this version when it opts to report:

1. Housing program income activity separately (including fund balance).
2. Economic development program income activity separately (including fund balance); or
3. Report housing and economic development program income activities separately, but with a combined fund balance.

Whatever the option, such program income activity must be reported separately for the contract years of 1992 and prior and for the contract years of 1993 and later.

The compliance certification on this report must be signed by the appropriate local official. In so doing, a grantee certifies that program income was expended for eligible CDBG activities and/or the requirements of Title I.

SPECIAL STATISTICAL LOAN REPORT

This Loan Portfolio Data Report or the Annual Statistical Loan Report will provide the DOC with basic information on the condition of a grantee's revolving loan portfolio for analytical review. (See Appendix C-1)

—NON - GRANTEE ADMINISTRATION—

A grantee that has an approved program income plan may contract with a non-profit organization or bank to administer its revolving loan funds, subject to the DOC approval. The organization selected must be a community based non-profit organization that has legal authority to make loans. Administration means accepting and carrying out responsibility for the day-to-day functions of RLFs.

A written agreement must exist between a grantee and the RLF administrator. The agreement must remain in effect during any period that the administrator has responsibility for program income activity. The minimum provisions that must be included in the agreement are a statement of work to be performed; records and reports to be maintained; requirements for how program income is to be managed; applicability of Federal Circulars and other such requirements; provision for termination of the agreement and a policy on reversion of assets at termination.

A grantee must receive an annual audit report or a single audit report from the administering organization. Copies of such report(s) must also be submitted to the DOC.

—AUDIT REQUIREMENTS—

FEDERAL - LAWS AND REGULATIONS

1. The Single Audit Act of 1984, the principal federal audit statute, imposes diverse requirements on a grantee.
2. OMB Circular A-128, Audits of State and Local Governments, sets forth the regulations issued by the Office of Management and Budget (OMB) to implement the federal single audit act of 1984.
3. OMB Circular A-133, Audits of Nonprofit organizations, establishes and defines federal responsibilities for implementation.
4. Standards for Audit of Governmental Organizations, Programs, Activities and Functions (referred to as the Yellow Book) contain generally accepted auditing standards applicable to a grantee. Issued by the U.S. Comptroller General, these standards incorporate generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants.

STATE LAWS AND REGULATIONS

1. Sections 2-7-501 through 2-7-522, MCA, set forth the requirements for the audit of political subdivisions, referred to as the Montana Single Audit Act.
2. Sub-chapter 41, of the Administrative Rules of Montana (ARM) sets forth the regulations of the Montana Single Audit Act for political subdivisions. The purpose of the Montana Single Audit Act is to:
 - a). Improve the financial management of local government entities with respect to federal, state and local financial assistance;
 - b). Establish uniform requirements for financial reports and audits of local government entities;
 - c). Ensure constituent interest by determining that compliance with all appropriate statutes and regulations is accomplished;
 - d). Ensure that the financial condition and operations of the local government entities are reasonably conducted and reported;
 - e). Ensure that the stewardship of local government entities is conducted in a manner to preserve and protect the public trust;
 - f). Ensure that local government entities accomplish, with economy and efficiency, the duties and responsibilities of the entities in accordance with the legal requirements imposed and the desires of the public; and

g). Promote the efficient and effective use of audit resources.

AUDIT THRESHOLD AND FREQUENCY

Under Section 2-7-503(3), MCA, referred to as the Montana Single Audit Act, the governing body or managing or executive officer of each local government entity receiving revenues or financial assistance in excess of \$200,000 or federal financial assistance in excess of \$25,000 shall cause an organization-wide audit to be made at least every 2 years. The audit must cover the entity's preceding 2 fiscal years. The audit must commence within 9 months from the close of the last fiscal year of the audit period. The audit must be completed and submitted to the DOC (Local Government Services Bureau of the Local Government Assistance Division) for review within 1 year from the end of the last fiscal year covered by the audit.

If a grantee is subject to the above provisions, then a copy of the organization-wide audit must be filed with the appropriate Division of the DOC. (Housing RLF activity should be filed with the Community Development Bureau of the Local Government Assistance Division. Economic Development RLF activity should be filed with the CDBG staff of the Economic Development Division.)

If a grantee is not subject to the above provisions, the Doc will still require a program audit of each revolving loan fund supported in part or in whole with CDBG program income.

The audit must be conducted at least every two years and a copy filed with the appropriate DOC Division, as described above.

APPENDICES

APPENDIX A
(Version A)

City/Town/County of _____

Annual Program Income Activity Report
Receipts, Disbursements and Changes in Fund Balance(s)
ALL REVOLVING LOAN FUNDS

For the Fiscal year Ended June 30, 19__

	1992 And Prior	1993 And Later	Totals
Receipts:			
Interest	\$15,000	\$ 5,000	\$20,000
Principal	10,000	5,000	15,000
_____	_____	_____	_____
_____	_____	_____	_____
Total Annual Receipts	<u>\$25,000</u>	<u>\$10,000</u>	<u>\$35,000</u>
Disbursements:			
Loans	\$10,000	\$	\$10,000
Grants	5,000		5,000
_____	_____	_____	_____
_____	_____	_____	_____
Total Annual Disbursements	<u>\$15,000</u>	<u>\$</u>	<u>\$15,000</u>
Transfers Out:			
General Government	\$ <u>xxxxxx</u>	\$ <u>5,000</u>	\$ <u>5,000</u>
Total Annual Transfers	<u>\$ <u>xxxxxx</u></u>	<u>\$ <u>5,000</u></u>	<u>\$ <u>5,000</u></u>
Total Disbursements & Transfers	<u>\$15,000</u>	<u>\$ <u>5,000</u></u>	<u>\$20,000</u>
Excess Receipts over Disb. & Trans. or	\$10,000	\$ 5,000	\$15,000
Excess Disb. & Trans. over Receipts	()	()	()
Fund Balance(s) Beginning	<u>30,000</u>	_____	<u>30,000</u>
Fund Balance(s) Ending	<u>\$40,000</u>	<u>\$ <u>5,000</u></u>	<u>\$45,000</u>

Certification

I hereby certify that all program income expenditures generated by Community Development Block Grant (CDBG) activities for the local government of _____, were expended for eligible CDBG activities and, where applicable, according to requirements of Title I of the Housing and Community Development Act of 1974, as required by amendments to the Act dated October, 1992.

Chief Local Government Official

DOC Review

Date

Date

APPENDIX B
(Version B)

City/Town/County of _____

Annual Program Income Activity Report
Receipts, Disbursements and Changes In Fund Balance(s)
Housing and/or Economic Development Revolving Loan Fund(s)

For the Fiscal Year Ended June 30, 19__

	1992 And Prior	1993 And Later	Totals
Receipts			
Housing:			
Interest	\$12,000	\$ 5,000	\$17,000
Principal	8,000	2,000	10,000
_____	_____	_____	_____
Total Housing Receipts	\$20,000	\$ 7,000	\$27,000
Economic Development:			
Interest	\$ 2,000	\$ 2,000	\$ 4,000
Principal	3,000	1,000	4,000
_____	_____	_____	_____
Total Economic Development Receipts	\$ 5,000	\$ 3,000	\$ 8,000
Total Annual Receipts	\$25,000	\$10,000	\$35,000
Disbursements			
Housing:			
Loans	\$10,000	\$	\$10,000
Grants	3,000		3,000
_____	_____	_____	_____
Total Housing Disbursements	\$13,000	\$	\$13,000
Economic Development:			
Loans	\$ 6,000	\$	\$ 6,000
Grants	1,000		1,000
_____	_____	_____	_____
Total Econ. Develop. Disbursements	\$ 7,000	\$	\$ 7,000
Total Annual Disbursements	\$20,000	\$	\$20,000
Transfers Out			
Housing:			
General Government	<u>\$3,333.33</u>	\$ 3,000	\$ 3,000
Total Housing Transfers	\$3,333.33	\$ 3,000	\$ 3,000
Economic Development:			
General Government	<u>\$ 2,222.22</u>	\$ 2,000	\$ 2,000
Total Economic Development Transfers	\$ 2,222.22	2,000	2,000
Total Annual Transfers	\$ 5,555.55	\$ 5,000	\$ 5,000
Total Annual Disb. & Trans.	\$20,000	\$ 5,000	\$25,000
Excess Receipts over Disb. & Trans. or	\$ 5,000	\$ 5,000	\$ 10,000
Excess Disb. & Trans. over Receipts	()	()	()
Fund Balance(s) Beginning	<u>35,000</u>	_____	<u>35,000</u>
Fund Balance(s) Ending	<u>\$40,000</u>	<u>\$ 5,000</u>	<u>\$45,000</u>

Certification

I hereby certify that all program income expenditures generated by Community Development Block Grant (CDBG) activities for the local government of _____, were expended for eligible CDBG activities and, where applicable, according to requirements of Title I of the Housing and Community Development Act of 1974, as required by amendments to the Act dated October, 1992.

Chief Local Government Official

DOC Review

Date

Date

APPENDIX C

City/County of _____

STATISTICAL LOAN PORTFOLIO REPORT HOUSING AND/OR ECONOMIC DEVELOPMENT REVOLVING LOAN FUND(S) AS OF JUNE 30, 19__

SECTION A -

NUMBER OF LOANS OUTSTANDING VS. NUMBER OF LOANS DELINQUENT:

	Housing	Economic Develop.	Over-All Total
(1) Number of Loans Outstanding	20	5	25
(2) Number of Loans Delinquent	3	1	4
(3) % of Loans Delinquent (Line 2 / Line 1)	15%	20%	16%

SECTION B -

VALUE OF LOANS OUTSTANDING VS. VALUE OF LOANS DELINQUENT:

	Housing	Economic Develop.	Over-All Total
(4) Value of Loans Outstanding	\$200,000	\$ 50,000	\$250,000
(5) Value of Loans Delinquent	\$ 25,000	\$ 10,000	\$ 35,000
(6) % of Loans Delinquent (Line 5 / Line 4)	13%	20%	14%

SECTION C -

VALUE OF LOANS MADE VS. VALUE OF LOANS WRITTEN-OFF TO-DATE:

	Housing	Economic Develop.	Over-All Total
(7) Value of Loans Made	\$400,000	\$100,000	\$500,000
(8) Value of Loans Written-Off	\$ 20,000	\$ 10,000	\$ 30,000
(9) % of Loans Written-Off (Line 8 / Line 7)	5%	10%	6%

SECTION D -

AGING OF DELINQUENT LOANS:

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
<u>30</u>	<u>60</u>	<u>90+</u>	
<u>Days</u>	<u>Days</u>	<u>Days</u>	<u>Total</u>

Housing Loans Delinquent:

(10) Value of Loans	\$5,000	\$5,000	\$15,000	\$25,000
(11) % of Loans Del. (Line 10,A,B,C, / Line 10,D)	20%	20%	60%	100%

E.D. Loans Delinquent:

(12) Value of Loans	\$1,000	\$1,000	\$8,000	\$10,000
(13) % of Loans Del. (Line 12,A,B,C, / Line 12,D)	10%	10%	80%	100%

CERTIFICATION

I certify that the foregoing information is a factual representation of the revolving loan portfolio of the City/Town/County of _____.

DOC Review

Chief Local Government Official

Date

Date

APPENDIX D

MONTANA DEPARTMENT OF COMMERCE STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

ACTIVITIES ELIGIBLE FOR CDBG ASSISTANCE UNDER TITLE I OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974, AS AMENDED THROUGH OCTOBER 28, 1992

The following includes the entire text of Section 105(a), Eligible Activities, embodied in Title I of the Housing and Community Development Act of 1974, as amended through October 28, 1992.

For a better understanding of what constitutes a CDBG eligible activity, you may obtain from the Department of Commerce the HUD "Guide to Eligible CDBG Activities," which is written in an easily understandable format.

RECIPIENT THAT IS A STATE, THE DESCRIPTION REQUIRED BY PARAGRAPH (1)–

(A) SHALL INCLUDE ONLY THE NEEDS WITHIN THE STATE THAT AFFECT MORE THAN ONE UNIT OF GENERAL LOCAL GOVERNMENT AND INVOLVE ACTIVITIES TYPICALLY FUNDED BY SUCH STATES UNDER THIS TITLE; AND

~~(B) shall include the needs and strategies to meet those needs of units of local government within the State which are eligible for a distribution under subsection (d)(2)(A) of section 106, and~~

(GB) shall be submitted to the Secretary in such standard form as the Secretary, by regulation, shall prescribe.

(4) Effect of Submission. --A submission under this subsection shall not be binding with respect to the use or distribution of amounts received under section 106.

Eligible Activities

sec. 105(a) Activities assisted under this title may include only–

(1) the requisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of

public works, facilities (except for buildings for the general conduct of government), and site or other improvements;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public ~~improvements and~~ OR PRIVATE IMPROVEMENTS OR services to be provided, may be expected to arrest the decline of the area; (4) clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for rehabilitation, and rehabilitation, of privately owned properties, and including the renovation of closed school buildings);

(4) clearance, demolition, removal, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for rehabilitation, and rehabilitation, or privately owned properties and including the renovation of closed school buildings);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for relocation of individuals and families displaced by activities under this title;

(7) disposition (through sale, lease, donation or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(8) provisions of public services, including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs, if such services have not been provided by the unit of general local government (through funds raised by such unit, or received by such unit from the State in which it is located)

during any part of the twelve-month period immediately preceding the date of submission of the statement with respect to which funds are to be made available under this title, and which are to be used for such services, unless the Secretary finds that the discontinuation of such services was the result of events not within the control of the unit of general local government, except that not more than 15 percent of the amount of any assistance to a unit of general local government (or in the case of nonentitled communities not more than 15 percent statewide) under this title including program income may be used for activities under this paragraph unless such unit of general local government used more than 15 percent of the assistance received under this title for fiscal year 1982 or fiscal year 1983 for such activities (excluding any assistance received pursuant to Public Law 98-8), in which case such unit of general local government may use not more than the percentage or amount of such assistance used for such activities for such fiscal year, whichever method of calculation yields the higher amount, AND EXCEPT THAT OF ANY AMOUNT OF ASSISTANCE UNDER THIS TITLE (INCLUDING PROGRAM INCOME) IN EACH OF FISCAL YEARS 1993 THROUGH 1997 TO THE CITY OF LOS ANGELES AND COUNTY OF LOS ANGELES, EACH SUCH UNIT OF GENERAL GOVERNMENT MAY USE NOT MORE THAN 25 PERCENT IN EACH FISCAL YEAR FOR ACTIVITIES UNDER THIS PARAGRAPH;

(9) payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of activities assisted under this title;

(10) payment of the cost of completing a project funded under title I of the Housing Act of 1949;

(11) relocation payments and assistance for displaced individuals, families, businesses, organizations, and farm operations, when determined by the grantee to be appropriate;

(12) activities necessary (A) to develop

a comprehensive community development plan, and (B) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation;

(13) PAYMENT OF REASONABLE ADMINISTRATIVE COSTS RELATED TO ESTABLISHING AND ADMINISTERING FEDERALLY APPROVED ENTERPRISE ZONES AND payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities, and including the carrying out of activities as described in section 701(e) of the Housing Act of 1954 on the date prior to the date of enactment of the Housing and Community Development Amendments of 1981; and

(14) PROVISION OF ASSISTANCE INCLUDING LOANS (BOTH INTERIM AND LONG TERM) AND GRANTS FOR activities which are carried out by public or private nonprofit entities, including (A) acquisition of real property; (B) acquisition, construction, reconstruction, rehabilitation, or installation of (i) public facilities (except for buildings for the general conduct of government), site improvements, and utilities, and (ii) commercial or industrial buildings or structures and other commercial or industrial real property improvements; and (C) planning;

(15) assistance to neighborhood-based nonprofit organizations, local development corporations, NONPROFIT ORGANIZATIONS

SERVING THE DEVELOPMENT NEEDS OF THE COMMUNITIES OF NONENTITLEMENT AREAS, OR entities organized under section 301(d) of the Small Business Investment Act of 1958 to carry out a neighborhood revitalization or community economic development or energy conservation project in furtherance of the objectives or section 101(c), and assistance to neighborhood-based nonprofit organizations, or other private or public nonprofit organizations, for the purpose of assisting, as part of neighborhood revitalization or other community development of shared housing opportunities (other than by construction of new facilities) in which elderly families (as defined in section 3(b)(3) of the United States Housing Act of 1937) benefit as a result of living in a dwelling in which the facilities are shared with others in a manner that effectively and efficiently meets the housing needs of the residents and thereby reduces their cost of housing;

(16) activities necessary to the development of energy use strategies related to recipient's development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as--

(A) an analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvements, budgeting, waste management, district heating and cooling, land use planning and zoning, and traffic control, parking, and public transportation functions; and

(B) a statement of the actions the recipient will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low- and moderate-income persons) to make energy conserving improvements to residential

structures, and any other proposed energy conservation activities;

(17) provisions of assistance to private, for-profit entities, when the assistance is appropriate to carry out an economic development project (that shall minimize, to the extent practicable, displacement of existing businesses and jobs in neighborhoods) that--

(A) creates or retains jobs for low- and moderate-income persons;

(B) prevents or eliminates slums and blight;

(C) meets urgent needs;

(D) creates or retains businesses owned by community residents;

(E) assists businesses that provide goods or services needed by, and affordable to, low- and moderate-income residents; or

(F) provides technical assistance to promote any of the activities under subparagraphs (A) through (E); (18) the rehabilitation or development of housing assisted under section 17 of the United States Housing Act of 1937;

(19) provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low and moderate income persons (A) where the need for reconstruction was not determinable until after rehabilitation under this section had already commenced, or (B) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction; and

(20) PROVISION OF TECHNICAL ASSISTANCE TO PUBLIC OR NONPROFIT ENTITIES TO INCREASE THE CAPACITY OF SUCH ENTITIES TO CARRY OUT ELIGIBLE NEIGHBORHOOD REVITALIZATION OR ECONOMIC DEVELOPMENT ACTIVITIES, WHICH

ASSISTANCE SHALL NOT BE CONSIDERED A PLANNING COST AS DEFINED IN PARAGRAPH (12) OR ADMINISTRATIVE COST AS DEFINED IN PARAGRAPH (13);

(21) HOUSING SERVICES, SUCH AS HOUSING COUNSELING, ENERGY AUDITING, PREPARATION OF WORK SPECIFICATIONS, LOAN PROCESSING, INSPECTIONS, TENANT SELECTION, MANAGEMENT OF TENANT-BASED RENTAL ASSISTANCE, AND OTHER SERVICES RELATED TO ASSISTING OWNERS, TENANTS, CONTRACTORS, AND OTHER ENTITIES, PARTICIPATING OR SEEKING TO PARTICIPATE IN HOUSING ACTIVITIES AUTHORIZED UNDER THIS SECTION, OR UNDER TITLE II OF THE CRANSTON-GONZALEZ NATIONAL AFFORDABLE HOUSING ACT; EXCEPT THAT ACTIVITIES UNDER THIS PARAGRAPH SHALL BE SUBJECT TO ANY LIMITATION ON ADMINISTRATIVE EXPENSES IMPOSED BY ANY LAW;

(22) PROVISION OF ASSISTANCE BY RECIPIENTS UNDER THIS TITLE TO INSTITUTIONS OF HIGHER EDUCATION HAVING A DEMONSTRATED CAPACITY TO CARRY OUT ELIGIBLE ACTIVITIES UNDER THIS SUBSECTION FOR CARRYING OUT SUCH ACTIVITIES;

(23) PROVISION OF ASSISTANCE TO PUBLIC AND PRIVATE ORGANIZATIONS, AGENCIES, AND OTHER ENTITIES (INCLUDING NONPROFIT AND FOR-PROFIT ENTITIES) TO ENABLE SUCH ENTITIES TO FACILITATE ECONOMIC DEVELOPMENT BY --

(A) PROVIDING CREDIT (INCLUDING PROVIDING DIRECT LOANS AND LOAN GUARANTEES, ESTABLISHING REVOLVING LOAN FUNDS, AND FACILITATING PEER LENDING PROGRAMS) FOR THE ESTABLISHMENT, STABILIZATION, AND EXPANSION OF MICROENTERPRISES;

(B) PROVIDING TECHNICAL ASSISTANCE, ADVICE, AND BUSINESS SUPPORT SERVICES (INCLUDING ASSISTANCE, ADVICE, AND SUPPORT RELATING TO DEVELOPING BUSINESS PLANS, SECURING FUNDING, CONDUCTING MARKETING, AND OTHERWISE ENGAGING IN MICROENTERPRISE ACTIVITIES)

TO OWNERS OF MICROENTERPRISES AND PERSONS DEVELOPING MICROENTERPRISES; AND

(C) PROVIDING GENERAL SUPPORT (SUCH AS PEER SUPPORT PROGRAMS AND COUNSELING) TO OWNERS OF MICROENTERPRISES AND PERSONS DEVELOPING MICROENTERPRISES;

(24) ACTIVITIES NECESSARY TO MAKE ESSENTIAL REPAIRS AND TO PAY OPERATING EXPENSES NECESSARY TO MAINTAIN THE HABITABILITY OF HOUSING UNITS ACQUIRED THROUGH TAX FORECLOSURE PROCEEDINGS IN ORDER TO PREVENT ABANDONMENT AND DETERIORATION OF SUCH HOUSING IN PRIMARILY LOW- AND MODERATE-INCOME NEIGHBORHOODS; AND

(205) provision of direct assistance to facilitate and

expand homeownership among persons of low and moderate income (except that such assistance shall not be considered a public service for purposes of paragraph (8)) by using such assistance to--

(A) subsidize interest rates and mortgage principal amounts for low- and moderate-income homebuyers;

(B) finance the acquisition by low- and moderate- income homebuyers of housing that is occupied by the homebuyers; (C) acquire guarantees for mortgage financing obtained by low- and moderate-income homebuyers from private lenders (except that amounts received under this title may not be used under this subparagraph to directly guarantee such mortgage financing and grantees under this title may not directly provide such guarantees);

(D) provide up to 50 percent of any downpayment required from low- or moderate-income home-buyer; or

(E) pay reasonable closing costs (normally associated with the purchase of a home) incurred by a low- or moderate-income homebuyer.

Direct Homeownership Assistance.--
Section 907(b)(2) of the Cranston-Gonzalez

National Affordable Housing Act (42 U.S.C. 5305 note) is amended--

(1) by striking "October 1, 1992" and inserting "October 1, 1994";

(2) by striking "October 1, 1993" and inserting "October 1, 1995"; and

(3) by striking "(18)", "(19)", and "(20)" and inserting "(23)", "(24)", and "(25)", respectively.

Assistance for Colonias

(a) Eligible Activities--Section 916 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 5306 note) is amended--

(1) by adding at the end of subsection (b) the following paragraph:

" (3) O t h e r improvements.--Other activities eligible under section 105 of the Housing and Community Development Act of 1974 designed to meet the needs of residents of colonias."; and

(2) in subsection (f), by striking "and 1993" and inserting "1993 and 1994".

(b) Definition of Colonia.--Section 916(e)(1) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 5306 note) is amended--

(1) by striking subparagraph (C) [is designated by the State or county in which it is located as a colonia];

(2) by redesignating subparagraph (D) as subparagraph (C); and

(3) by striking subparagraph (E) [was in existence and generally recognized as a colonia before the date of enactment of this Act] and inserting the following new subparagraph:

"(D) was in existence as a colonia before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act."

(b) Upon request of the recipient of assistance under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the

rehabilitation of properties as authorized under subsection (u)(4).

(c)(1) In any case in which an assisted activity described in paragraph (14) or (17) of subsection (a) is identified as principally benefiting persons of low and moderate income, such activity shall--

(A) be carried out in a neighborhood consisting predominantly of persons of low and moderate income and provide services for such persons; or

(B) involve facilities designed for use predominantly by persons of low and moderate income; or

(C) involve employment of persons, a majority of whom are persons of low and moderate income.

(2) (A) In any case in which an assisted activity described in subsection (a) is designed to serve an area generally and is clearly designed to meet identified needs of persons of low and moderate income in such area, such activity shall be considered to principally benefit persons of low and moderate income if (i) not less than 51 percent of the residents of such area are persons of low and moderate income; (ii) in any metropolitan city or urban county, the area served by such activity is within the highest quartile of all areas within the jurisdiction of such city or county in terms of the degree of concentration of persons of low and moderate income; or (iii) the assistance for such activity is limited to paying assessments (including any charge made as a condition of obtaining access) levied against properties owned and occupied by persons of low and moderate income to recover the capital cost for a public improvement.

(B) The requirements of subparagraph (A) do not prevent the use of assistance under this title for the development, establishment of a uniform emergency telephone number system if the Secretary determines that--

(i) such system will

contribute substantially to the safety of the residents of the area served by such system;

(ii) not less than 51 percent of the use of the system will be by persons of low and moderate income; and

(iii) other Federal funds received by the grantee are not available for the development, establishment, and operation of such system due to the insufficiency of the amount of such funds, the restrictions on the use of such funds, or the prior commitment of such funds for other purposes by the grantee. The grantee of the cost of the development, establishment, and operation of such a system that may be paid from assistance under this title and that is considered to benefit low and moderate income persons is the percentage of the population to be served that is made up of persons of low and moderate income.

(3) Any assisted activity under this title that involves the acquisition or rehabilitation of property to provide housing shall be considered to benefit persons of low and moderate income only to the extent such housing will, upon completion, be occupied by such person.

(4) FOR PURPOSES OF SUBSECTION (C)(1)(C)--

(A) IF AN EMPLOYEE RESIDES IN, OR THE ASSISTED ACTIVITY THROUGH WHICH HE OR SHE IS EMPLOYED, IS LOCATED IN A CENSUS TRACT THAT MEETS THE FEDERAL ENTERPRISE ZONE ELIGIBILITY CRITERIA, THE EMPLOYEE SHALL BE PRESUMED TO BE A PERSON OF LOW- OR MODERATE-INCOME; OR

(B) IF AN EMPLOYEE RESIDES IN A CENSUS TRACT WHERE NOT LESS THAN 70 PERCENT OF THE RESIDENTS HAVE INCOMES AT OR BELOW 80 PERCENT OF THE AREA MEDIAN, THE EMPLOYEE SHALL BE PRESUMED TO BE A PERSON OF LOW- OR MODERATE-INCOME.

(D) TRAINING PROGRAM. -- THE SECRETARY SHALL IMPLEMENT, USING FUNDS RECAPTURED PURSUANT TO SECTION 119(O),

AN ON-GOING EDUCATION AND TRAINING PROGRAM FOR OFFICERS AND EMPLOYEES OF THE DEPARTMENT, ESPECIALLY OFFICERS AND EMPLOYEES OF AREA AND OTHER FIELD OFFICES OF THE DEPARTMENT, WHO ARE RESPONSIBLE FOR MONITORING AND ADMINISTERING ACTIVITIES PURSUANT TO PARAGRAPHS (14), (15), AND (17) OF SUBSECTION (A) FOR THE PURPOSES OF ENSURING THAT (A) SUCH PERSONNEL POSSESS A THOROUGH UNDERSTANDING OF SUCH ACTIVITIES; AND (B) REGULATIONS AND GUIDELINES ARE IMPLEMENTED IN A CONSISTENT FASHION.

(E) GUIDELINES FOR EVALUATING AND SELECTING ECONOMIC DEVELOPMENT PROJECTS.--

(1) ESTABLISHMENT.-- THE SECRETARY SHALL ESTABLISH, BY REGULATION, GUIDELINES TO ASSIST GRANT RECIPIENTS UNDER THIS TITLE TO EVALUATE AND SELECT ACTIVITIES DESCRIBED IN SECTION 105(A)(14), (15), AND (17) FOR ASSISTANCE WITH GRANT AMOUNTS. THE SECRETARY SHALL NOT BASE A DETERMINATION OF ELIGIBILITY OF THE USE OF FUNDS UNDER THIS TITLE FOR SUCH ASSISTANCE SOLELY ON THE BASIS THAT THE RECIPIENT FAILS TO ACHIEVE ONE OR MORE OF THE GUIDELINES' OBJECTIVES AS STATED IN PARAGRAPH (2).

(2) PROJECT COSTS AND FINANCIAL REQUIREMENTS.-- THE GUIDELINES ESTABLISHED UNDER THIS SUBSECTION SHALL INCLUDE THE FOLLOWING OBJECTIVES:

(A) THE PROJECT COSTS OF SUCH ACTIVITIES ARE REASONABLE.

(B) TO THE EXTENT PRACTICABLE, REASONABLE FINANCIAL SUPPORT HAS BEEN COMMITTED FOR SUCH ACTIVITIES FROM NON-FEDERAL SOURCES PRIOR TO THE DISBURSEMENT OF FEDERAL FUNDS.

(C) TO THE EXTENT PRACTICABLE, ANY GRANT AMOUNTS TO BE PROVIDED FOR SUCH ACTIVITIES DO NOT

SUBSTANTIALLY REDUCE THE AMOUNT OF NON-FEDERAL FINANCIAL SUPPORT FOR THE ACTIVITY.

(D) SUCH ACTIVITIES ARE FINANCIALLY FEASIBLE.

(E) TO THE EXTENT PRACTICABLE, SUCH ACTIVITIES PROVIDE NOT MORE THAN A REASONABLE RETURN ON INVESTMENT TO THE OWNER.

(F) TO THE EXTENT PRACTICABLE, GRANT AMOUNTS USED FOR THE COSTS OF SUCH ACTIVITIES ARE DISBURSED ON A PRO RATA BASIS WITH THE AMOUNTS OF OTHER SOURCES.

(3) PUBLIC BENEFIT.-- THE GUIDELINES ESTABLISHED UNDER THIS SUBSECTION SHALL PROVIDE THAT THE PUBLIC BENEFIT PROVIDED BY THE ACTIVITY IS APPROPRIATE RELATIVE TO THE AMOUNT OF ASSISTANCE PROVIDED WITH GRANT AMOUNTS UNDER THIS TITLE.

(F) ASSISTANCE TO FOR-PROFIT ENTITIES.--IN ANY CASE IN WHICH AN ACTIVITY DESCRIBED IN PARAGRAPH (17) OF SUBSECTION (A) IS PROVIDED ASSISTANCE SUCH ASSISTANCE SHALL NOT BE LIMITED TO ACTIVITIES FOR WHICH NO OTHER FORMS OF ASSISTANCE ARE AVAILABLE OR COULD NOT BE ACCOMPLISHED BUT FOR THAT ASSISTANCE.

GAO Study.--The Comptroller General of the United States shall conduct a study of the use of grant amounts under title I of the Housing and Community Development Act of 1974 for activities described in paragraphs (14), (15), and (17) of section 105(a) of such Act. The study shall evaluate whether the activities for which such amounts are being used under such paragraphs further the goals and objectives of such program, as established in section 101 of such Act. The Comptroller General shall submit a report to the Congress regarding the findings of the study not later than the expiration of the 18-month period beginning on the date of the enactment of this Act. The report shall include recommendations of --

(1) any administrative or legislative actions that may be taken to ensure that such grant amounts are properly and efficiently used for economic development activities; and

(2) criteria by which to evaluate the effectiveness of activities assisted under paragraphs (14), (15), and (17) of such section 105(a).

Enhancing Job Quality.--Not later than 1 year after the date of enactment of this Act, the Comptroller General shall submit to the Congress a report on the types and quality of jobs created or retained through assistance provided pursuant to title I of the Housing and Community Development Act of 1974 and the extent to which projects and activities assisted under that title enhance the upward mobility and future earning capacity of low- and moderate-income persons who are benefited by such projects and activities.

(G) MICROENTERPRISE AND SMALL BUSINESS PROGRAM REQUIREMENTS.--IN DEVELOPING PROGRAM REQUIREMENTS AND PROVIDING ASSISTANCE PURSUANT TO PARAGRAPH (17) OF SUBSECTION (A) TO A MICROENTERPRISE OR SMALL BUSINESS, THE SECRETARY SHALL--

(1) TAKE INTO ACCOUNT THE SPECIAL NEEDS AND LIMITATIONS ARISING FROM THE SIZE OF THE ENTITY; AND

(2) NOT CONSIDER TRAINING, TECHNICAL ASSISTANCE, OR OTHER SUPPORT SERVICES COSTS PROVIDED TO SMALL BUSINESSES OR MICROENTERPRISES OR TO GRANTEES AND SUBGRANTEES TO DEVELOP THE CAPACITY TO PROVIDE SUCH ASSISTANCE, AS A PLANNING COST PURSUANT TO SECTION 105(A)(12) OR AN ADMINISTRATIVE COST PURSUANT TO SECTION 105(A)(13).

Allocation and Distribution of Funds

Sec. 106(a)(1) For each fiscal year, of the amount approved in an appropriation Act under section 103 for grants in any year (excluding the amounts provided for use in

MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT

ECONOMIC DEVELOPMENT CDBG LOAN PROGRAM

LOAN PORTFOLIO DATA

Reported as of: _____

Locality: _____

Business Name: _____

Business Contact: _____ Phone _____

Business Address: _____

Prepared by: _____ Phone _____

CDBG Loan Information:

Total CDBG Loan Amount: \$ _____

Monthly Payment Amount: \$ _____

Total Payments to Date: \$ _____

(Interest: \$ _____)

(Principal: \$ _____)

Other CDBG Loan Information:

Interest Rate: _____

Loan Term: _____ Years

Security: _____

Remaining Term: _____ Years

Remaining Repayment Amount: \$ _____

Current on Loan Payments? Yes__ or No__

If not current, explain: _____

If Bankruptcy, Total Recapture Amount?: \$ _____

Jobs/Hiring Status: _____

Further Leverage/Spin-off Activities, directly related to this project, if known:

Any Secondary Loan Activity to Date? Yes__ or No__

loan.data

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